COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER

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August 30, 2012

TO: Supervisor Zev Yaroslavsky, Chairman
Supervisor Gloria Molina
Supervisor Mark Ridley-Thomas
Supervisor Don Knabe
Supervisor Michael D. Antonovich

FROM: Wendy L. Watanabe
Auditor-Controller

SUBJECT: **PERSONAL INVOLVEMENT CENTER, INC. – A DEPARTMENT OF MENTAL HEALTH AND DEPARTMENT OF CHILDREN AND FAMILY SERVICES CONTRACT SERVICE PROVIDER – CONTRACT COMPLIANCE REVIEW – FISCAL YEARS 2009-10 AND 2010-11**

We completed a contract compliance review of Personal Involvement Center, Inc. (PIC or Agency), which covered a sample of transactions from Fiscal Years (FY) 2009-10 and 2010-11. The Department of Mental Health (DMH) contracts with PIC to provide mental health services, including interviewing Program clients, assessing their mental health needs, and implementing treatment plans. The Department of Children and Family Services (DCFS) also contracts with PIC to provide Wraparound Approach Services (Wraparound) and Family Preservation (FP) Program services. The Wraparound Program provides services to children and their families, including therapy, housing, education, and social assistance. The FP Program provides services to children and families, including support, intervention, transitional, and maintenance services.

The purpose of our review was to determine whether PIC provided services in accordance with their County contracts. We also evaluated the adequacy of the Agency's accounting records, internal controls, and compliance with federal, State, and County guidelines.

DMH paid PIC approximately $1.6 million on a cost-reimbursement basis for FY 2010-11. DCFS paid PIC approximately $1.4 million for the Wraparound Program and $2 million for the FP Program, both on a fee-for-service basis, for FY 2010-11. The Agency provides services in the Second Supervisorial District.

Results of Review

DMH Program Review

PIC maintained documentation to support the services billed to DMH, and staff assigned to the DMH Program had the required qualifications. However, PIC did not complete some elements of the Assessments, Client Care Plans, and Informed Consents as required by their DMH contract. Specifically:

- Ten (50%) of the 20 Assessment forms reviewed did not adequately describe the clients' symptoms and behaviors consistent with the Diagnostic and Statistical Manual of Mental Disorder.

- Eight (40%) of the 20 Client Care Plans reviewed did not include specific goals or relate to the clients' needs identified in their Assessments.

- One (14%) of the seven files reviewed, for clients who received treatment with psychotropic medication, did not contain a current Informed Consent.

  PIC's attached response indicates that the Program Manager and Quality Assurance conduct additional reviews of documentation to ensure that required documentation and Informed Consents are appropriately maintained.

DMH, DCFS Wraparound and FP Programs Fiscal Review

We noted the following issues with PIC's fiscal operations:

- PIC may not have sufficient resources to meet their day-to-day financial obligations. Specifically, PIC's audited financial statements, as of June 30, 2011, reported that the Agency had negative working capital (current assets minus current liabilities) of $93,021. PIC's audited financial statements, as of June 30, 2010, reported that the Agency had negative working capital of $157,729, and an operating loss of $22,498. While we did not identify any bills that PIC had failed to pay, the Agency needs to submit a plan showing how they plan to improve their financial condition, including maintaining sufficient working capital.

  PIC's response indicates that they are currently meeting their liabilities, and are working on increasing their working capital. As noted, PIC also needs to develop specific plans to improve their financial condition.

- If the Agency does not use all of the County program funds, they are required to return unspent FP funds to DCFS, and reserve unspent Wraparound funds for future Program expenses. PIC did not return $304,782 ($183,523 for FY 2008-09 and $121,259 for FY 2009-10) in unspent FP Program funds to DCFS, and did not reserve $56,459 in unspent Wraparound Program funds from FY 2009-10. After our review, PIC repaid DCFS the $304,782 from the FP Program

  PIC's response indicates that they reserved the $56,459 for future Wraparound Program use. However, PIC did not provide any documentation to support their statement.

- PIC also charged $378,197 in questioned costs ($111,332 to DMH, $43,000 to the Wraparound Program, and $223,865 to the FP Program) as follows:

  - $230,332 in lease costs charged to the County programs without adequate supporting documentation. Specifically, PIC entered into three lease agreements with the Praises of Zion Church (Church) to use the Church property for the DMH, Wraparound, and FP Programs. However, all three lease agreements are identical, and do not include a description of the leased space or the square footage for each program to support how the lease amounts were calculated.

    PIC's response included some additional documentation. However the documentation did not include a description of the leased space for each program, or how the lease amounts were calculated.

  - $127,264 ($79,228 + $48,036) in salary costs for 100% of three employees' time charged to the FP Program even though the employees worked on multiple programs.

    After our review, PIC determined that they had overcharged the FP Program $77,591 for non-FP Program payroll expenditures. In addition, PIC's response indicates that the Agency will revise their Cost Report to accurately report salaries, and that they will repay DMH for any excess amount received.

  - $18,435 ($11,581 + $6,854) in rent allocated to the FP Program without documentation to support the allocation.

    PIC's response indicates that 40% of the rent was charged to the FP Program based on usage. However, PIC did not provide documentation to support the actual usage of the facility.

  - $2,166 in overcharges to the FP Program in FY 2010-11.
    PIC agreed to repay DCFS $2,166.

- PIC also did not monitor their subcontractors to ensure they were qualified to perform the contracted services. Specifically, three of the five subcontractors had suspended business licenses, and one subcontractor used five independent contractors who did not have the qualifications required to deliver FP services.

  PIC's response indicates that they stopped using the subcontractor who did not have qualified staff, and that they monitor their subcontractors to ensure they comply with the FP contract requirements.

Given PIC's current fiscal condition, DCFS and DMH need to ensure that PIC corrects the deficiencies noted in our report immediately. If PIC does not correct the deficiencies, DCFS and DMH should place the Agency in the County's Contractor Alert Reporting Database (CARD) until the areas of non-compliance are corrected, and the PIC repays the County for questioned costs. DCFS and DMH should also ensure that PIC management addresses the Agency's financial resource issues.

Details of our review, along with recommendations for corrective action, are attached.

<u>Review of Report</u>

We discussed the results of our review with PIC, DMH, and DCFS. After our review, PIC repaid DCFS the $304,782 in unspent FP funds. For the remaining $378,197 in questioned costs, PIC's attached response indicates that PIC will provide documentation to support the expenditures, or will repay the questioned costs. DCFS and DMH management will work with PIC to ensure that our recommendations are implemented, including collection of the questioned costs.

We thank PIC management for their cooperation and assistance during our review. Please call me if you have any questions, or your staff may contact Don Chadwick at (213) 253-0301.

WLW:JLS:DC:EB

Attachment

c: William T Fujioka, Chief Executive Officer
Philip Browning, Director, DCFS
Dr. Marvin J. Southard, Director, DMH
Dr. Tyrone Skinner, Chair, Board of Directors, PIC
Maxine Perryman-Diggs, Chief Executive Officer, PIC
Public Information Office
Audit Committee

PERSONAL INVOLVEMENT CENTER, INC.
DEPARTMENT OF MENTAL HEALTH,
DEPARTMENT OF CHILDREN AND FAMILY SERVICES
WRAPAROUND AND FAMILY PRESERVATION PROGRAMS
FISCAL YEARS 2009-10 AND 2010-11

BILLED SERVICES

Objective

Determine whether Personal Involvement Center, Inc. (PIC or Agency) provided the services billed in accordance with their Department of Mental Health (DMH) contract.

Verification

We selected 35 billings, totaling 3,988 minutes, from 128,430 service minutes of approved Medi-Cal billings for July and August 2010, which were the most current billings available at the time of our review in March 2011. We reviewed the Assessments, Client Care Plans, Progress Notes, and Informed Consents in the clients' charts for the selected billings. The 3,988 minutes represent services to 20 clients.

Results

PIC maintained adequate documentation to support the billed services, and completed the Progress Notes as required by the DMH contract. However, the Agency did not complete some elements of the Assessments, Client Care Plans, and Informed Consents as required by the DMH contract.

Assessments

PIC did not complete the Assessments for ten (50%) of 20 clients reviewed in accordance with their DMH Contract. An Assessment is a diagnostic tool used to document the clinical evaluation of each client, and establish the client's mental health treatment needs. Specifically:

- Ten Assessments did not adequately describe the clients' symptoms and behaviors consistent with the Diagnostic and Statistical Manual of Mental Disorder (DSM) to support the given diagnosis. The DSM is a handbook published by the American Psychiatric Association for mental health professionals, which lists different categories of mental orders and the criteria for diagnosing them. The County contract requires the Agency to follow the DSM when diagnosing clients. This finding was also noted in our prior year's monitoring review.

- Four Assessments did not contain an adequate description of the clients' problems, clear indications for treatment, or enough information regarding the clients' needs to formulate a treatment plan, as required by the County contract.

The total number of exceptions exceeded the number of Assessments reviewed because some of the Assessments contained more than one deficiency

Client Care Plans

PIC did not complete the Client Care Plans for eight (40%) of the 20 clients reviewed in accordance with the County Contract. Specifically:

- Five Client Care Plans contained goals that were not specific. This finding was also noted in our prior monitoring review.

- Four Client Care Plans did not relate to the clients' needs identified in the Assessments.

The total number of exceptions exceeded the number of Client Care Plans reviewed because some of the Client Care Plans contained more than one deficiency.

Informed Consent

PIC did not have a current Informed Consent form for one (14%) of the seven clients who received treatment with psychotropic medication. Informed Consent is the client's agreement to a proposed course of treatment based on receiving clear, understandable information about the treatment's potential benefits and risks.

Recommendations

PIC management:

1. **Ensure that Assessments and Client Care Plans are adequately documented and completed in accordance with the DMH contract.**

2. **Ensure that they have current Informed Consents in the clients' charts before treating clients with psychotropic medications.**

STAFFING QUALIFICATIONS

Objective

Determine whether PIC treatment staff had the required qualifications to provide mental health services.

Verification

We reviewed the California Board of Behavioral Sciences' website and/or the personnel files, for 11 (34%) of the 32 PIC treatment staff who provided services to DMH clients during July and August 2010.

Results

All employees reviewed had the qualifications to provide mental health services.

Recommendation

None.

FINANCIAL VIABILITY

Objective

Determine whether PIC is financially viable, and maintained sufficient working capital (current assets minus current liabilities) to pay their upcoming expenses.

Verification

We interviewed Agency management, and reviewed the Agency's financial statements and accounting records.

Results

PIC did not maintain sufficient working capital to meet their day-to-day financial obligations. Specifically, PIC's audited financial statements, as of June 30, 2011, reported that the Agency had negative working capital of $93,021. PIC's audited financial statements, as of June 30, 2010, reported that the Agency had negative working capital of $157,729, and an operating loss of $22,498.

While we did not identify any bills that PIC had failed to pay, the Agency needs to submit a plan showing how they will improve their financial condition, including maintaining sufficient working capital.

Recommendations

3. **PIC management submit a plan to DMH and DCFS to show how they plan to improve their financial condition, including a plan to maintain sufficient working capital to meet current liabilities.**

4. **DCFS and DMH management monitor to ensure PIC's financial viability issues do not affect their County contracts.**

UNSPENT WRAPAROUND REVENUE

Objective

Determine whether PIC's placed excess Department of Children and Family Services (DCFS) Wraparound Approach Services (Wraparound) Program funds in a reserve account for future Wraparound expenditures as required by DCFS Contract Section 7.7.2.1.

Verification

We compared the amount DCFS paid PIC to the Agency's Wraparound Program expenditures recorded in their accounting records for FY 2009-10.

Results

PIC did not place excess Wraparound funds, totaling $56,459, in a reserve account for future Program expenditures as required by the DCFS contract.

Recommendation

5. **PIC management place the $56,459 in a reserve account for future Wraparound Program use.**

UNSPENT FAMILY PRESERVATION FUNDS

Objective

Determine whether PIC returned any unspent Family Preservation (FP) funds to DCFS at the end of the fiscal year as required.

Verification

We compared the amount DCFS paid PIC to the Agency's FP expenditures recorded in the Agency's accounting records for FYs 2008-09 and 2009-10.

Results

PIC's accounting records indicated unspent FP funds of $183,523 and $121,259 for FYs 2008-09 and 2009-10, respectively. PIC needs to return the $304,782 ($183,523+$121,259) to DCFS. After our review, PIC returned the $304,782 to DCFS.

Recommendation

None.

CASH/REVENUE

Objective

Determine whether the Agency deposited payments timely, and recorded revenue in the Agency's records properly.

Verification

We interviewed PIC's management, and reviewed the Agency's financial records. We also reviewed their January 2011 bank reconciliation and FY 2010-11 bank statements.

Results

PIC deposited payments timely and recorded revenue properly.

Recommendation

None.

COST ALLOCATION PLAN

Objective

Determine whether the Agency prepared its Cost Allocation Plan (Plan) in compliance with the DMH, Wraparound, and FP contracts, and used the Plan to allocate shared costs appropriately.

Verification

We reviewed the Agency's Plan, and reviewed 20 shared expenditures, totaling $102,281, charged to the County programs between July 2009 and January 2011, to ensure that the expenditures were allocated appropriately.

Results

PIC's Plan was prepared in accordance with the DMH, Wraparound, and FP contracts. In addition, PIC appropriately allocated 18 (90%) of the 20 expenditures reviewed in accordance with their Plan. However, PIC did not provide documentation to support the allocation of the remaining two expenditures reviewed, totaling $18,435. ($11,581 in FY 2010-11 and $6,854 in FY 2009-10). The expenditures were for rent paid for a facility used by the FP Program and other PIC programs.

PIC indicated that they allocated 40% of rent to the FP Program based on daily usage of the facility. According to PIC, the FP Program used the facility an average of nine of 22 work days per month or 41%. However, the Agency did not provide documentation to support the usage.

Recommendations

PIC management:

6. **Provide DCFS documentation to support $18,435 ($11,581 + $6,854), or reduce their FP Program expenditures by the unsupported amount, and repay DCFS any excess amount received.**

7. **Ensure that allocation methodologies are supported by adequate documentation.**

EXPENDITURES

Objective

Determine whether Program-related expenditures were allowable under the contracts, documented properly, and billed accurately.

Verification

We interviewed Agency personnel, and reviewed the accounting records and documentation for 40 non-payroll expenditures, totaling $849,946, charged to the County programs from July 2009 to January 2011 (ten DMH expenditures, totaling $187,508; 12 Wraparound expenditures, totaling $56,120; and 18 FP expenditures, totaling $606,318).

Results

PIC appropriately charged the County programs and properly documented 34 (85%) of the 40 expenditures reviewed, totaling $619,614. PIC did not provide sufficient documentation for the six other expenditures, totaling $230,332. The six expenditures were for lease costs charged to the County programs for space at the Praises of Zion Church (Church). Specifically, in FY 2009-10, PIC charged $74,736 to DMH, $21,600 to the Wraparound Program, and $48,000 to the FP Program. For the first seven months of FY 2010-11, PIC charged $36,596 to DMH, $21,400 to the Wraparound Program, and $28,000 to the FP Program.

PIC provided separate lease agreements with the Church to support the lease charges to each of the County programs. However, the lease agreements did not include key information generally found in leases, such as description and square footage of the leased space. In addition, much of the space, that PIC indicated is used by the County programs, is also used by the Church. Because the leases did not include key information, we could not determine the reasonableness of the lease expenditures charged to the County programs, or if the leases covered the same space.

PIC needs to provide appropriate documentation, such as amended lease agreements, that include descriptions and square footage of the leased spaces, to support the facility lease expenditures charged to the County programs.

Recommendations

PIC management:

8. **Provide appropriate documentation to support $230,332 charged to the DMH, Wraparound, and FP Programs for leasing the Church property and reimburse the County for excess amounts.**

9. **Ensure that only allowable program expenditures are charged to the County programs.**

ADMINISTRATIVE CONTROLS/CONTRACT COMPLIANCE

Objective

Determine whether the Agency is in compliance with administrative requirements in the DMH, Wraparound, and FP contracts.

Verification

We interviewed Agency personnel, reviewed their policies and procedures manuals, conducted an on-site visit, and tested transactions in various areas, such as expenditures, payroll, and personnel.

Results

PIC generally complied with the administrative requirements in the DMH and Wraparound contracts. However, PIC did not comply with all the administrative requirements in the FP contract. Specifically, PIC:

- Did not ensure their subcontractors met all the requirements to perform the contracted services. Three (60%) of the five subcontractors had suspended business licenses, and one subcontractor used five independent contractors who did not have the qualifications required to deliver the FP services. The FP contract requires agencies to use qualified staff or obtain a waiver before using the staff.

- Overcharged the FP Program a total of $2,166 in FY 2010-11. PIC paid the subcontractor $20 per hour per child for child focus activities, but charged the FP Program $25 per hour per child.

Recommendations

PIC management:

10. Ensure all subcontractors comply with the FP contract requirements.

11. Stop using subcontractors who do not have qualified staff.

12. Reduce the FP Program expenditures by $2,166, and repay DCFS for any excess amount received.

13. Ensure that only allowable program expenditures are billed to the DMH, Wraparound, and Family Preservation Programs.

FIXED ASSETS/EQUIPMENTS

Objective

Determine whether fixed asset depreciation expenses charged to the DMH, DCFS Wraparound, and FP Programs were allowable under the contracts, documented properly, and billed accurately.

Verification

We interviewed Agency personnel and reviewed the Agency's fixed assets/equipment depreciation schedule. In addition, we reviewed $27,520 in depreciation expense charged to the DMH, Wraparound, and FP Programs in FY 2009-10.

Results

PIC's depreciation expenses charged to the DMH, FP, and Wraparound Programs were allowable, documented properly, and billed accurately.

Recommendation

None.

PAYROLL AND PERSONNEL

Objective

Determine whether the payroll expenditures were charged to the DMH, Wraparound, and FP Programs appropriately. In addition, determine whether the Agency maintained personnel files as required.

Verification

We reviewed DMH, Wraparound, and FP Program-related payroll expenditures, totaling $217,136, for 31 employees incurred between July 2009 and January 2011, and reviewed personnel file for all 31 employees.

Results

PIC maintained personnel files as required, and charged their payroll expenditures to the DMH and Wraparound Programs appropriately. However, PIC charged the FP Program $127,264 ($79,228 in FY 2009-10 and $48,036 in FY 2010-11) for 100% of the salaries for three employees who worked on multiple programs. After our review, PIC reported that they had overcharged the FP Program $77,591 ($47,915 in FY 2009-10 and $29,676 in FY 2010-11), and that the remaining $49,673 ($127,264 - $77,591) was appropriately charged to the FP Program.

Recommendation

14. **PIC management reduce the FP Program expenditures by $47,915 in FY 2009-10 and $29,676 in FY 2010-11, and repay DCFS any excess amount received.**

COST REPORT

Objective

Determine whether PIC's FY 2009-10 DMH Cost Report reconciled to the Agency's accounting records.

Verification

We traced the Agency's FY 2009-10 DMH Cost Report to the Agency's accounting records.

Results

PIC did not report their DMH expenditures accurately in their FY 2009-10 Cost Report. Specifically, the Agency reported total DMH expenditures of $1,465,666. However, the expenditures in PIC's accounting records totaled $1,567,095. As a result, the Agency's FY 2009-10 DMH Cost Report expenses were understated by $101,429 ($1,567,095-$1,465,666).

Recommendation

15. **PIC management revise the FY 2009-10 Cost Report to accurately report the actual total DMH Program expenditures.**

PRIOR YEAR FOLLOW-UP

Objective

Determine the status of the recommendations in our prior monitoring review.

Verification

We verified whether PIC had implemented the outstanding recommendations from our February 1, 2008 monitoring report.

Results

Our prior year's monitoring report contained 28 recommendations. PIC had implemented 22 recommendations, and had not implemented the remaining six recommendations. PIC had not:

- Determined how much they charged the County in FY 2005-06 for depreciation on a 2002 Cadillac that PIC did not own, or repaid the County for the depreciation.
- Determined how much they overbilled the County for health insurance benefits for four terminated employees, or repaid the County for the overbilling.
- Reviewed the FY 2004-05 and 2005-06 costs charged to all programs to ensure all costs were allocated appropriately to each program, or resolved the billing discrepancies with the appropriate County department.
- Worked with the Auditor-Controller to determine if the Agency overbilled the County for office space leased from the Church in FY 2005-06 and prior contract years. The DMH and Wraparound contracts limit the cost of related-party leases to the lower of actual costs or fair market value. PIC indicated that the facilities were leased below fair market value. However, the Agency refused to provide the actual costs incurred by Church, or the fair market value of the Church property.

The remaining two outstanding recommendations are addressed in the recommendations 1 and 3 in this report.

Recommendation

16. PIC management implement the outstanding recommendations from the prior monitoring report.

PERSONAL INVOLVEMENT **CENTER, INC**
Headquarters
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Los Angeles, CA 90003
Office: 323.565.2300
www.picservices.org

April 26, 2012

To: Wendy L. Watanabe, Auditor-Controller
County of Los Angeles
Department of Auditor-Controller
Kenneth Hahn, Hall of Administration
500 W. Temple Street, Room 525
Los Angeles, CA 90012-2766

Re: Personal Involvement Center Contract Compliance review – A Department of Mental Health Service and Department of Children and Family Services Contract Provider

Please find attached our response to contract compliance review, conducted by your office for fiscal years 2009-2010 and 2010-2011. Our response includes the recommendations of the Auditor-Controller, as well as the corrective actions the Personal Involvement Center has taken to address the indicated concerns.

The Personal Involvement Center would like to thank your staff for their assistance and professionalism throughout the course of the review and exit interview process.

If you have any questions or need further information, please contact me at (323) 778-0488.

Respectfully,

Maxine Perryman - Diggs
Maxine Perryman - Diggs
Chief Executive Officer

Cc: PIC Board of Directors
William T. Fujioka, Chief Executive Officer
Phillip Browning, Director, DCFS
Dr. Marvin J. Southard, Director, DMH
PIC Community Advisory Council
LA County Board of Supervisors

Attachments

PERSONAL INVOLVEMENT CENTER, INC.

Response to contract compliance review – A Department of Mental Health Services and Department of Children and Family Services Provider Submitted to the County of Los Angeles Auditor-Controller Wendy L. Watanabe, Auditor-Controller

Billed Services

Recommendations: PIC Management:

1. Ensure that Assessments and Client Care Plans are adequately documented and completed in accordance with the DMH contract

2. Ensure that they have current Informed Consents in the clients' charts before treating clients with psychotropic medications.

Agency Response:

1. The Mental Health Department has diligently adhered to the recommendations presented in the audit. Initial Assessments are completed upon verification that the client meets medical necessity criteria. The Client Coordinated Care Plans (CCCP's)-treatment plans implemented are based on the provider's Axis I diagnosis. The CCCP objectives are realistic and quantifiable. The standard is to follow the clinical loop and ensure that services provided are documented and within the scope of the provider and based on the clinical needs of the clients served. The services rendered and accompanying documentation are within the scope and service philosophy of the Department of Mental Health.

2. Children referred for medication support services are not seen by the psychiatrists without an Initial Assessment, as well as a medication support treatment goal which evidences the need for the initial medication evaluation. Required documentation including informed consents, are verified by the Quality Assurance team, who conduct an initial chart audit at the onset of treatment.

   The Program Manager reviews documentation to ensure that provider's complete accurate initial assessments, develop sound clinical care plans, implement services to meet the client's needs, and submit the appropriate billing codes. All documentation is countersigned prior to inclusion in the client's file. A secondary QA Chart Audit is conducted 45 days after the initial assessment to ensure that required documentation and consents are appropriately maintained.

FINANCIAL VIABILITY

Recommendations:

3. PIC management submit a plan to DMH and DCFS to improve their financial condition, including a plan to maintain sufficient working capital to meet current liabilities.

4. As noted in your email dated 3/14/12, PIC's response is N/A.

Agency Response:

3. ***PIC is currently meeting its liabilities and is working to obtain other sources to enhance its working capital. Past independent audits have not issued a qualified opinion and PIC has made significant strides to reduce its liabilities.***

UNSPENT WRAPAROUND REVENUE

Recommendation:

5. PIC management to reserve $56,459 in a reserve account for future Wraparound Program use.

Agency Response:

5. **PIC has accounted $56,459 in a reserve account for future Wraparound Program use.**

COST ALLOCATION PLAN

Recommendations:

6. PIC Management provided DCFS documentation to support $18, 435 ($11,581 + $6,854) or reduce their FP Program expenditures by the unsupported amount and repay DCFS any excess amount received.

7. PIC Management ensures that allocation methodologies are supported by adequate documentation.

Agency Response:

6. ***Please see attachment #6 as supportive documentation to support the 60/40 split of rent for the Stocker site.***

7. ***Currently, the rent expenditures are adequately supported by documentation. The agency is monitoring all allocation methodologies and ensuring that those methodologies are meeting requirements.***

EXPENDITURES

PIC management

8. Provide appropriate documentation to support $230, 332 charged to the DMH, Wraparound and Family Preservation Programs for leasing the Church and reimburse the County for excess amounts.

9. Ensure that only allowable program expenditures are charged to the County programs.

Agency Response:

8. ***While PIC does rent space from Praises of Zion Baptist Church, the offices, and office space are exclusively used by PIC staff, clients, and visitors. Please see attachment #8, as documentation to support the charge lower of fair market value and key information covering the leased space.***

9. ***The agency monitors all allocation methodologies and ensures that only allowable program expenditures are charged to the County programs.***

ADMINISTRATIVE CONTROLS/CONTRACT COMPLIANCE

Recommendations

PIC management:

10. Monitor their subcontractors to ensure their subcontractors comply with the FP contract requirements.

11. Discontinue subcontracting with subcontractors who do not have qualified staff.

12. Reduce the FP Program expenditures by $2,166 and repay DCFS for any excess amount received.

13. Ensure that only allowable program expenditures are billed to the DMH, DCFS Wraparound and Family Preservation Programs.

Agency Response:

10. PIC compliance monitors subcontractors to ensure compliance with FP contract requirements. Please see attachments #10.

11. PIC has discontinued subcontracting with Subcontractors who does not have qualified staff.

12. PIC will repay DCFS $2,166

13. PIC management is constantly monitoring expenses to ensure expenditures are billed to appropriate PIC funded programs by utilizing a tool in finance that identifies expenditures

PAYROLL AND PERSONNEL

Recommendation:

14. PIC management reduce the FP Program expenditures by 447, 915 in FY 2009-2010 and $29,676 in FY 2010 – 2011 and repay DCFS any excess amount received.

Agency Response:

14. PIC will repay DCFS $5,545 as documented in attachment #14.

COST REPORT

Recommendation:

15. PIC management to revise the FY 2009 – 2010 Cost Report to accurately report the actual total DMH Program expenditures and repay DMH for any excess amount received.

Agency Response:

15. The fiscal year 2009-10 cost report was prepared based on the best estimate at the time when the cost report was due, the financial statement numbers were not yet audited, therefore may have changed since the estimates were prepared. PIC will review its financial estimates used in the preparation of its fiscal year 2009-10 cost report and compare these estimates to the final audited numbers, and in consideration of the Auditor-Controller's audit findings that are agreeable and may affect the fiscal year 2009-10 cost report, and revise the fiscal year 2009-10 cost report accordingly.

PRIOR YEAR FOLLOW-UP

Recommendation:

16. PIC management implement the outstanding recommendations from the prior monitoring report.

Agency Response:

16. Based on the results listed as Prior year follow-up, please see below;

- ***According to the records as stated, for FY 2005-2006 the loss for a 2002 Cadillac in the amount of $16,784 was not passed through to the programs. Also, the depreciation was not taken. Please see attachment #16.***

- ***Based on the information received, from the prior report, it mentions that one of four employees benefits were paid after they were terminated. However, the employee noted [redacted] was hired in 2006 and benefits were paid through March 2007. [redacted] passed away on March 16, 2007. PIC had paid benefits through the end of the month and then terminated benefits through Blue Cross. PIC is requesting additional information for the noted other 3 employees as mentioned in this report.***

- *PIC is requesting support from the County. As the independent audit report did not note any inappropriate charges to programs. If County could submit to PIC supportive documentation identifying the issue, that would be appreciated.*

- *While we disagree with the less than arms-length relationship with Praises of Zion Baptist Church and Personal Involvement Center, Inc. as defined by the Auditor-Controller, we look forward to working with County personnel to ensure all services and finances are implemented within the guidelines of the contract and appropriate circulars. We have provided documentation as noted in attachment #8, regarding the breakdown of lease space and amounts.*

ATTACHMENT # 6

PIC
FPN Stocker Plaza
Rent analysis

	Annual rent	22 Average days per month Annual rent based on working days	9 Average days per month Usage by FPN	Average per annum
FY 09-10	$ 28,954	$ 15,793	$ 11,845	40.9%
FY 10-11	$ 29,373	$ 16,022	$ 12,016	40.9%

Conclusion: PIC determined that FPN would use the Stocker facility approximately 9 days a month. Based on this a 40% to 60% split between FPN and HM appears reasonable.

Note: 9 Day average per month was determined as follows:
one day a week for MCPC meetings = 4 times a month
Average one day a week for other work purposes = approximately 4 to 5 times a month

PIC - ATTACHMENT # 8

Rental costs calculation

			Amount	(A) and (B) Calculated costs of rent	Annual rent per lease	Under (over) charge
Family Preservation:						
Upstairs office space and downstairs class rooms #8 and #13	(1) Sqft utilized	3,326	43,903			
Parking spaces	(2) Spaces	19	4,731	48,634	48,000	634
Mental Health:						
Upstairs office space, downstairs conference room and downstairs class room #11	(1) Sqft utilized	5,000	66,003			
Parking spaces	(2) Spaces	34	8,466	74,469	74,736	(267)
Wraparound:						
Upstairs office space	(1) Sqft utilized	1,475	19,470			
Parking spaces	(2) Spaces	12	2,988	22,458	21,600	858
				145,561	144,336	1,225
						(0)

Formulas:

(1) Formula for office space	$1.10	Rent charge per square foot
	12	Number of months per annum
(2) Formula for parking spaces	$1	Per day per space
	249	Working days per year [365 days less 12 holidays less 104 weekend days]

Notes:

(A) The above calculation does not include certain areas of the building that PIC utilizes on a normal/daily basis, as follows:
Gymnasium, Multi-purpose room, Day care, Class room #2, Reception, Kitchen and CAM charges.

(B) Also, it does not include the parking cages of the 5 vans that the program utilizes on a daily basis to park the vans (365 days per year).

Conclusion:

Based on the above analysis, PIC believes that the rent paid to the Praises of Zion Church ("Church") is at an arms-length transaction. The Church pays for all CAM charges in addition to the other areas of the building that are utilized by PIC almost on a daily basis (see Notes A and B above).

ATTACHMENT #10

Personal Involvement Center, Inc.

Vendor and Subcontractor Procedures

Personal Involvement Center policy and procedures as it relates to Staff and Payment of Vendor and Subcontractors Invoices.

Subcontractor Billing – The Center will ensure that Vendors and Subcontractors have and maintain appropriate business documents:

1) Signed Contract
2) Corporate formality – California Secretary of State
3) Properly completed W-9 form with Federal Tax ID – Taxpayer ID
4) If Individual, dba filing
5) If Individual, Taxpayer ID or Social Security Number
6) All insurances required by Contract
7) Verification that Vendor or Subcontractor is **not** on the Federal Excluded Parties List System

Subcontractors Staff – Employees will not be allowed to begin work until the above is satisfied by Subcontractor; and in addition, below are other requirements specific to County contracts:

1) PIC will submit a request to the County to approve the use of Subcontractor. Work will not commence until County approval is obtained.
2) If a Subcontractor use employees, Worker's Compensation Insurance is required.
3) Subcontractor must submit staff background check documents to the Agency for review and approval on all employees.
4) Subcontractor must submit staff credentials to Agency for review and approval.
5) Subcontractor must provide a Staff Roster of staff

It is the Center's interest to utilize Subcontractor staff with the appropriate skills ad experience level required. If a waiver is required for any Subcontractor staff, the Center will submit a waiver request to the County. The staff person may not engage in any services until the waiver is approved.

Invoices and Payment

Invoices are submitted to Biller, a breakdown report is produce for review and approval by Supervisor or Program Manager. Report are then submitted to Finance for payment. The preferred way of transmission is electronically directly to respective Program Biller, or mail to: Personal Involvement Center, Inc., P.O. Box 514839, Los Angeles, CA 90051. All supporting documents should accompany invoices upon submission.

Payment is 30 days after receipt of invoice. It is solely the Center's prerogative to pay invoices prior to 30 day timeframe.

ATTACHMENT #14

PERSONAL INVOLVEMENT CENTER, INC.

Maintenance Expenses Re-Allocation
Fiscal Year July 1, 2009 through Dec. 31, 2010

	FYE 6/30/10 Per payroll records	6 months ended 12/31/10 Per payroll records
[redacted]	24,796	13,594
	21,760	11,405
	25,019	14,151
	71,575	39,150

Allocation based on payroll:

Programs	Payroll	% of Payroll	Allocation	Payroll	% of Payroll	Allocation
Family Preservation	983,795	33.5%	23,987	387,167	26.7%	10,463
Wraparound	693,265	23.6%	16,903	319,860	22.1%	8,644
Mental Health	847,419	28.9%	20,662	536,835	37.1%	14,508
Healthy Marriage	148,197	5.0%		71,501	4.9%	
Family Support	262,859	9.0%	6,409	133,317	9.2%	3,603
	2,935,535	100.0%	67,961	1,448,680	100.0%	37,218
			(3,613)			(1,932)

$	3,613.00	
$	1,932.00	
$	5,545.00	Repay County

ATTACHMENT #16

PERSONAL INVOLVEMENT CENTER, INC.

STATEMENT OF ACTIVITIES
For the year ended June 30, 2006
With comparative totals for the year ended June 30, 2005

	Unrestricted	Temporarily Restricted	2006	2005
Revenue and support				
Program service fees (Note 8)	$ 4,134,928	$ -	$ 4,134,928	$ 2,782,636
Miscellaneous income	32,975		32,975	27,615
Contribution income	10,049	16,000	26,049	-
Loss on sale of fixed assets	(16,784)		(16,784)	-
Net releases from program restrictions	10,984	(10,984)	-	-
Total revenue and support	4,172,152	5,016	4,177,168	2,810,251
Expenses				
Program	3,860,000		3,860,000	2,708,546
General and administration	726,670		726,670	444,387
Total expenses	4,586,670	-	4,586,670	3,152,933
Change in net assets	(414,518)	5,016	(409,502)	(342,682)
Net assets, beginning of year as previously reported	(175,875)		(175,875)	59,300
Prior period adjustment			-	107,507
Net assets, beginning of year as restated	(175,875)		(175,875)	166,807
Net assets, end of year	$ (590,393)	$ 5,016	$ (585,377)	$ (175,875)

The accompanying notes are an integral part of these financial statements.

ATTACHMENT #16

PERSONAL INVOLVEMENT CENTER, INC.

STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2006
With comparative totals for the year ended June 30, 2005

	Program	General and Administration	Total Expenses 2006	Total Expenses 2005
Salaries	$ 1,428,797	$ 547,705	$ 1,976,502	$ 1,495,971
Payroll taxes	164,402	54,801	219,203	166,068
Employee benefits	155,918	18,898	174,816	152,383
Total personnel costs	1,749,117	621,404	2,370,521	1,814,422
Subcontractor	1,035,657		1,035,657	-
Foster parent fees	365,944		365,944	309,097
Rent	177,123	59,910	237,033	164,000
Insurance	80,028	27,253	107,281	63,137
Telephone	98,413	1,700	100,113	69,201
Mileage and travel	75,008	3,276	78,284	46,247
Equipment rental and repairs	62,867	1,247	64,114	40,362
Direct client expenses	58,735	500	59,235	12,366
Professional fees	51,214	1,459	52,673	477,022
Supplies	35,295	2,140	37,435	33,081
Utilities	23,250		23,250	22,500
Miscellaneous	19,223		19,223	64,260
Depreciation	7,739	2,966	10,705	10,904
Printing and publications	7,215	2,811	10,026	9,367
Meetings and conferences	6,781		6,781	4,104
Postage	2,432	1,627	4,059	2,097
Taxes and licenses	3,668	377	4,045	5,243
Advertising and recruitment	291		291	3,523
Legal fees			-	2,000
Total 2006 functional expenses	**$ 3,860,000**	**$ 726,670**	**$ 4,586,670**	
Total 2005 functional expenses	$ 2,708,546	$ 444,387		$ 3,152,933

The accompanying notes are an integral part of these financial statements.

ATTACHMENT #16

PIC
Fixed Assets
June 30, 2006

Acc #	Assets	Beg Balance	W/P	Add's	Deletions/ Transfers		End. Balance	Per G/L	Diff
15000-02	FURNITURE AND FIXTURES - PIC		5-1-1	2,046.00		5-1-1	2,046.00 5	2,046.00	
15000-07	FURNITURE AND FIXTURES - MHP	1,655.00		3,183.00			4,838.00	4,838.00	
15100-02	EQUIPMENT - FPN			13,417.00			13,417.00	13,417.00	
15100-03	EQUIPMENT - FFA	4,264.00		2,730.00			6,994.00	6,994.00	
15100-04	EQUIPMENT - ASC	1,560.00					1,560.00	1,560.00	
15100-07	EQUIPMENT - MHP	9,868.00		8,503.00			18,371.00	18,371.00	
15200-01	AUTOMOBILES - PIC Cadillac	38,732.00			(38,732.00) (A)		-	-	-
15200-02	AUTOMOBILES - FPN			3,500.00			3,500.00	3,500.00	
15200-07	AUTOMOBILES - PIC	2,800.00					2,800.00	2,800.00	-
		58,879.00		33,379.00	(38,732.00)		53,526.00	53,526.00	

Accumulated Depreciation

Acc #		Beg Balance	W/P	Add's	Deletions/ Transfers		End. Balance	Per G/L	Diff
17100-01	Accum. Deprec PIC	(21,948.00)	5-1-1	(10,705.00)	21,948.00 (B)	5-1-1	(10,705.00) 5		(10,705.00)
17100-03	Accum. Deprec - FFA	(1,026.00)					(1,026.00)	(4,238.00)	3,212.00
17100-04	Accum. Deprec. ASC	(312.00)					(312.00)	(1,168.00)	856.00
17100-07	Accum. Deprec MH	(2,177.00)					(2,177.00)	(8,814.00)	6,637.00
		(25,463.00)		(10,705.00)	21,948.00		(14,220.00)	(14,220.00)	-
	NBV	33,416.00				H/G	39,306.00	39,306.00	-
						G/L	39,306.00		
						Diff			

Correct
Cadillac fully depreciated as of 6/30/05
No Cadillac Dep for FYE 6/30/06.

Cadillac Cost (A) 38,732
Cadillac Acc Dep (B) (21,948)
Loss on Disposal 16,784

Shown as an adj. for the financial statement for FYE 6/30/06

Cash Flow Data

Beg	33,416.00
Add's	33,379.00
Deprec	(10,705.00)
Loss on F/A	(16,784.00)
End	39,306.00

AJE

		DR	CR
72500-01	DEPRECIATION EXPENSE	10,705.00	
17100-01	Accum. Deprec. - FFA		10,705.00
	(To record depreciation expense at year end)		